1. What is your view on how the region currently funds transit in terms of both process and overall funding levels?

    Our current funding allocation method is very complex and difficult to explain to both government officials and the general public.

    The funding allocation follows a layered funding algorithm.

    The original funding layer was enacted in 1983. It includes a Sales Tax of 1.0% in Cook County (both the City of Chicago and Suburban Cook County) and 0.25% in the Collar Counties, as well as a 25% State Public Transportation Fund (PTF) match of 25 cents on the dollar. The 1983 Sales Tax is statutorily distributed to the four transit agencies based on where it is collected from the consumer.

    The second layer was enacted in 2008 without integrating the prior method. The 2008 layer consists of a 0.25% sales tax increase throughout the RTA region, a Real Estate Transfer Tax (RETT) in the City of Chicago of $1.50 per $500 of sales price, a 5% increase in the PTF match on the 1983 Sales Tax, and a 30% PTF Match of the new Sales Tax and RETT. All of the 2008 Sales Tax and PTF are statutorily distributed to the CTA, Metra, and Pace, but unlike the 1983 sales tax, none of this funding is distributed based on where it was collected from the consumer. The CTA receives all of the proceeds of the Real Estate Transfer Tax.

    Overall, the funding algorithm is sub-regionally focused, rather than regionally focused, whereas transit fosters mobility throughout our region.

    As far as overall funding levels are concerned, total operations funding continues to fall short of the region's needs despite the 2008 funding increases. Much of this is a result of the impact of the great recession on the proceeds of both the sales tax and the Real Estate Transfer Tax, both of which continue to recover.

2. Please define in detail all of your available funding resources (including local revenue sources) for both operating and capital budget.

    There are three primary sources of RTA operating funding: the RTA sales tax, which now amounts to over $1 billion annually; a City of Chicago Real Estate Transfer Tax, or RETT, which is expected to reach $36 million in 2013; and the State Public Transportation Fund, or PTF, which provides a 30% match of the Sales Tax and RETT, and amounts to over $300 million annually. In 2013, these three sources account for $1.4 billion, or 88%, of the RTA region's total public funding.

    Other RTA operating funding sources include the following: Additional State Assistance and Additional Financial Assistance (ASA/AFA) of $130.2 million, which reimburse the RTA for the debt service on Strategic Capital Improvement Program (SCIP) bonds; the

State Reduced Fare Reimbursement of $34.1 million (recently reduced to $17.6 million), which partially reimburses the Service Boards for fare revenue losses resulting from free and reduced fare rides for the elderly, people with disabilities, and students; $6.3 million of funding from Federal sources (Job Access Reverse Commute/New Freedom/Homeland Security); $8.5 million of State funding for ADA Paratransit; $5 million of local funding from Cook County and the City of Chicago; and finally about $23 million of RTA revenue from investments, regional programs, and grants. Total operating funding for 2013 was budgeted at just under $1.6 billion.

RTA's most recent five-year capital program totaled about $4.4 billion. Funding sources for capital include the U.S. Department of Transportation's Federal Transit Administration (FTA), the Illinois Department of Transportation (IDOT), the RTA, and Service Board and local funds.

3. Do the available funding sources adequately fund your current and projected capital and operating needs? If not, please describe your current and projected shortfall.

    The impact of additional operating funding from the 2008 legislation was greatly tempered by the subsequent economic downturn. This required service reductions at both CTA and Pace in 2010, and it also required the Service Boards to utilize some of their capital funds for operations in order to balance their operating budgets. Metra and CTA implemented significant fare increases in the last two years. As a result, the current operating funding sources have been adequate to balance the Service Boards' operating budgets without any capital transfers in 2012 and 2013. However, the RTA reserve fund, intended to provide a cushion against future economic slowdowns, remains at an unacceptably low level of only $5 million.

    In the absence of further fare increases and with 1% annual ridership growth, the RTA's ten-year financial projections show a cumulative operating funding shortfall of over $1 billion. Higher ridership and regular fare increases could dramatically reduce the operating funding gap, but only if adequate capital investments are also made to help keep operating expenses under control.

    RTA's latest Capital Asset Condition Assessment indicates that over $31 billion of capital investment will be required over the next decade in order for the system to achieve and maintain a State of Good Repair. Capital funding projections from all sources over the same period total approximately $6.2 billion, meeting only about 20% of the projected need. Failure to identify additional capital funding will lead to a deteriorating transit system and higher operating expenses.

4. Assuming no changes in current funding levels, what steps will you take to address projected deficits in operating and capital budgets?

In the absence of additional funding, future operating deficits would need to be addressed with regular, inflationary fare increases to bolster system operating revenue, the continued pursuit of legal action to ensure the integrity of sales tax collections, and careful control of expense levels.

RTA will do what it can to address the severe shortage of capital funding, but the ten-year funding gap is enormous at about $15 billion. In Washington, we will leverage the newly created Congressional Public Transportation Caucus to emphasize the need for stable federal funding levels. We will continue to lobby State legislators for more capital funds, and if necessary for an increase in the RTA's statutory borrowing authority. For 2014, we have proposed issuing $100 million of new RTA bonds for Service Board capital within our existing capacity, reducing borrowing costs by centralizing debt issuance with the RTA.

5. Do you think that the allocation formula appropriately apportions available funds? What changes, if any, would you make to the existing formula and why?

   The current allocation formula leaves too much funding, about $200 million, to the discretion of the RTA Board. This creates funding debates between the Service Boards. Converting most of the discretionary funding to formulaic funding, as is done with capital, would simplify the process. Further details of RTA's recent proposal for modified operating and capital funding are provided in the response to question seven.

6. Assuming no increase in the amount of funding coming from the State, please discuss any changes in the current statute that in your opinion could positively impact funding resources available to the region.

   Changes in the current statute that would bring new revenues for transit would be a benefit to the region. Some examples of potential new revenue sources would be to apply the current sales tax to internet sales, increase taxes on motor fuels, continue to challenge sales tax diversion schemes, increase the sales tax rate, and increase the bonding capacity of the RTA.

7. The current allocation format is very complicated and difficult for the general public to understand, how would you go about simplifying it?

   Last year, the RTA proposed a much simpler funding methodology as part of a $2.5 billion System Renewal Bond Program dedicated to State of Good Repair and reductions in operating & maintenance costs. The proposal also entailed streamlining the allocation of public transportation funding in order to achieve a regional approach to funding the RTA system and enable long-term financing that provides capital investment monies in the same proportion as the public funding distribution.

   The funding proposal was as follows:

Combine all of the RTA sales tax with the 30% PTF match on sales tax and RETT. As is currently the practice, first fund regional ADA paratransit service, RTA debt service on bonds that fund Service Board capital projects, RTA Regional Services, and RTA Innovation and Discretionary Funding. Debt service would be for both existing bonds and for the new debt service for the System Renewal Bond Program. Only the debt service not paid by the State is included. Monies for RTA operations and for discretionary funding amount to only 5% of the total (including the Joint Self-Insurance Fund).

Distribute the remaining funds and the $2.5 billion of proceeds from the System Renewal Bond Program to the Service Boards CTA 56%, Metra 32%, and Pace 12%. These percentages are based on actual historical operations funding levels, including discretionary funding.

City of Chicago RETT would continue to provide funding for the CTA.

8. If you had a blank slate, how would you allocate funds and why? What prevents that from happening now? What issues would that raise and how would you address them?

   Funding for public transit should focus on a strategic vision for the region. We have a tremendous capital investment in public transportation infrastructure in Northeastern Illinois and the residents of the region deserve a system that uses this investment to its maximum benefit and most efficient use. That means working toward a system that is integrated for the customer, that avoids duplicative service, and that promotes economic vitality by providing access between the labor force and jobs.

   Funding based on a strategic vision would require a departure from a static formula approach. The allocation process should ensure stability, but allow the flexibility to respond to changes in market demographics and customer preferences. It should also reward innovation, cost efficiency, and performance improvement. The current structure of our Boards places too much emphasis on each individual Service Board. We should move toward an approach that is more regional in focus as is the case in other major metropolitan areas.